LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 85TH LEGISLATIVE REGULAR SESSION

May 25, 2017

TO: Honorable Joe Straus, Speaker of the House, House of Representatives

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: **HB22** by Huberty (Relating to evaluating public school performance.), **As Passed 2nd House**

Estimated Two-year Net Impact to General Revenue Related Funds for HB22, As Passed 2nd House: a negative impact of ($986,750) through the biennium ending August 31, 2019.

The bill would make no appropriation but could provide the legal basis for an appropriation of funds to implement the provisions of the bill.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2018	($497,375)
2019	($489,375)
2020	($114,375)
2021	($114,375)
2022	($114,375)

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from *General Revenue Fund* 1	Change in Number of State Employees from FY 2017
2018	($497,375)	1.0
2019	($489,375)	1.0
2020	($114,375)	1.0
2021	($114,375)	1.0
2022	($114,375)	1.0

Fiscal Analysis

The bill would amend the public school accountability system and certain district and campus improvement requirements codified in the Education Code. The bill would reduce the accountability system from five domains to four domains to include Student Achievement, School Performance, Closing the Gaps, and School Climate and would specify which indicators to use within the domains to evaluate the performance of school districts, open-enrollment charter schools, and campuses.

The bill would require the Commissioner to evaluate overall performance and individual domain performance using the A-F ratings; establish the percentage assigned to each rating; specify certain requirements for evaluating performance; ensure the method used to evaluate performance for purposes of assigning school districts and campuses an overall and a domain performance rating allows for the mathematical possibility that all districts and campuses receive an A rating; and develop standardized language for each domain according to certain provisions in collaboration with interested stakeholders.

The bill would require the Texas Education Agency (TEA) to evaluate the effectiveness of certain programs based on specify indicators; specify student eligibility for the Public Education Grant; and require the Commissioner to apply and include certain performance indicators when determining accreditation status. The bill would require the Commissioner to conduct a study through an advisory committee to determine the feasibility of incorporating extracurricular and cocurricular student activity indicators to evaluate school district and campus performance resulting in a required report to the Legislature by December 1, 2022.

The bill would create the Texas Commission on Public School Finance which would have the responsibility to develop and make recommendations for improvements to the current public school finance system or for new methods of financing public schools. The bill would require staff members of the Texas Education Agency (TEA) to provide administrative support for the commission and would abolish the commission on January 8, 2019.

The bill would establish a framework to dispose of property held by a charter school that has ceased to operate. This includes allowing a charter that has purchased real property with local funds to retain a proportional ownership share, procedures for the state to sell or transfer real property, and the ability for a former charter to retain the property by buying out the state interest.

The bill would restrict the use of charter funds from being pledged or used to secure loans or bonds for another organization, including a non-charter operation or out-of-state operation conducted by the charter holder or a related party. The bill also allows an audit of a charter school to examine real property transactions between the charter holder and a related party and allows the commissioner to take action to protect the school's interest. The bill specifies the allowable uses of the charter liquidation fund, including agency personnel costs associated with managing and closing charter schools. The bill's provisions direct the Commissioner of Education to transfer excess funds in the charter liquidation fund to a high quality education grant or to supplement the bond guarantee reserve fund.

The bill would repeal Section 29.904 Education Code that requires certain school districts to collaborate with local institutions of higher education to increase the percentage of students who enroll in institutions of higher education upon graduation from high school.

The bill would specify that the enactment of the bill is equivalent to the enactment of Senate Bill 1658, Eighty-fifth Legislature, Regular Session, for purposes of any legislation contingent on SB 1658. The bill would take effect immediately if passed with necessary voting margins, or September 1, 2017, and would apply beginning school year 2017-18.

Methodology

Modifying the performance indicators and standards under the state accountability system would result in a cost of $497,375 in fiscal year 2018 and $489,375 in fiscal year 2019 due to initial development and personnel costs, and $114,375 in subsequent years.

The bill would require TEA to develop new performance indicators under three domains (Student Achievement, School Performance, and School Climate) and would require school districts and charters to report new performance data elements to TEA for purposes of accountability. This analysis estimates that one full-time equivalent position (FTE) would be required to develop and implement the new performance indicators and incorporate them into the new accountability system calculations. The estimated cost of the FTE, including salary, benefits, and other operating expenses, would be $122,375 in fiscal year 2018 and $114,375 in subsequent years.

The bill would require school districts and charter schools to submit certain additional data elements for the three domain indicators required under the provisions of the bill. According to the TEA, districts would need to submit the data in formats that allow use in accountability system calculations. This analysis estimates the costs of the data collection development would total $750,000 in fiscal years 2018 and 2019, resulting in costs of $375,000 in each fiscal year.

This analysis assumes the TEA can use existing resources related to other administrative activities required based on the provisions of the bill.

Technology

The bill would amend the Education Code to require school districts and charters to submit certain additional data elements for the three domain indicators required under the provisions of the bill. According to the TEA, districts would need to submit the data in formats that allow use in accountability system calculations. This analysis estimates the costs of the data collection development would total $750,000 in fiscal years 2018 and 2019, resulting in costs of $375,000 in each fiscal year.

Local Government Impact

The bill would require school districts and charters to submit new data elements related to the three student performance domains under the provisions of the bill. According to TEA, school districts and charters would incur costs associated with collecting the new data elements and modifying information and reporting systems to provide the data to the agency. Technology costs would vary among districts depending on software contracts.

TEA estimates districts and charters may need additional personnel resources to evaluate, develop, and implement changes. TEA also anticipates districts and charters may incur administrative costs associated with new policy creation and district and campus-level training.

TEA estimates the provisions of the bill related to the removal of the requirement to develop and implement a plan to increase the percentage of graduating seniors who enroll in an institution of higher education upon graduation would result in a cost savings for some local school districts.

Source Agencies: 701 Texas Education Agency

LBB Staff: UP, AW, THo, AM